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Gaylord Container Corporation

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February 28, 2000

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Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Office of the Secretary
Case Control Unit
Attn: STB EX Parte No. 582
1925 K. Street, N.W.
Washington, DC 20423-0001

Re: Public Views on Major Rail Consolidation (STB EX Parte No. 582)

Dear Secretary Williams:

Please find attached the original and 10 copies, plus disc of the statement I intend to present in person to the Board on March 8, 2000.

A handwritten signature in cursive script that reads "Ray C. Dillon".

Ray C. Dillon
Vice President Primary Product Operations

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Gaylord Container Corporation
Statement for March 8, 2000 STB Hearing



Background

Gaylord Container Corporation is a manufacturer of brown paper and packaging products shipped to and used throughout North America. Gaylord has manufacturing mills in Louisiana, Arkansas and California. We rely heavily on rail transportation services to deliver the necessary raw materials to our manufacturing mills and to ship our products to our customers in markets across the United States and North America.

Gaylord ships about 18,000 rail car loads of its product each year. The inbound raw material comes by rail from most of the continental United States and Canada to our three mills. 75 percent of the outbound finished product is delivered by rail to customers in the continental United States, Mexico and Canada.

The majority (or all or a percentage) of our rail needs are provided by BNSF in California and by CN/IC in Louisiana. Our experience with these railroads has been positive. We experienced the merger of Burlington Northern with Santa Fe and more recently the merger of Canadian National with Illinois Central. Both mergers proceeded smoothly with little or no service problems or disruptions.

Fair Hearing

We at Gaylord believe that each merger should be considered on its own merits. Certainly that is our view about the BNSF/CN combination which was recently announced. In our view the Board should follow its normal course of action and accept the application and consider the application to merger these two railroads on the record which is established, rather than on rhetoric and advertising. This hearing should take place in the normal time frame used by the Board for these types of mergers. If the benefits to this combination are as claimed by BNSF and CN they should be made available to the shippers and industry as soon as the Board's rules permit. The hearing should not be delayed because of the potential for other mergers. This combination should be considered on its own merits and basis.

Downstream Effects

With respect to the "downstream" effects of this or any merger, it is the actual merger and the way it is proposed in reality that must be considered. In our view the Board should not, and should not be required, to consider mergers in the abstract or to anticipate that a course of action will occur because of a particular merger. While there may be other mergers for the Board to consider, it is, in our view, premature to consider what

might happen later on and use that speculation as a basis to delay or deny an actual application which the applicants claim has real and realizable public benefits and particularly to Gaylord Container Corp.

Service Issues

It is our view as a major user of rail services that regardless of public benefits, we want service after a merger to be as good as or better than the service we received before the merger. Of the recent mergers two resulted in industry service problems and two did not. The CN/IC merger went very smoothly and resulted in service benefits to Gaylord. This is what is critically important for us, service and competition. Given the guarantees that BNSF and CN are committing to, we think the Board should give them the opportunity without any delay to try to make their case at the Board.

Because this combination seems to be very much like the CN/IC merger, essentially end to end, with the two railroads linking up at specific points, we believe that their guarantee is a sign of their commitment to provide equal or better service after the combination is approved.

Conclusion

We urge the Board to consider the matter which is before it on the same basis and in the same time frame that it has used in past mergers. Some of those mergers have been more successful from a service delivery perspective than other mergers. However, the Board should not change the rules at this time because of the claims by other railroads about the BNSF/CN combination. The comments of the other railroads are clearly motivated by self-interest and a desire to maintain the status quo and protect their own positions with little or no regard for the benefits including competitive benefits, that the BNSF/CN combination will generate. We strongly urge the Board to proceed with its consideration of the BNSF/CN application in the usual manner and consider it on its own facts and record, and not on speculative issues such as what might happen at a later date.

Thank you for your attention. I would be pleased to try to answer any questions which you might have arising from these comments.